Testimony by Rep. Michele Bachmann
House Financial Services Committee Hearing
"The Future of Financial Services: Exploring Solutions for the Market Crisis"
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Mr. Chairman and my fellow Members of the Committee, I am grateful that we are holding this important hearing today and thank you for the opportunity to share my views.

Over the weekend, Secretary Paulson asked taxpayers to pony-up an astonishing $700 billion to buy financial services sector debt on top of the existing bailouts already implemented this year. All told, this amounts to around $1.5 trillion.

Spending of this proportion doesn't just impact a fiscal year; it impacts generations of prosperity. And this is on top of projected liabilities for entitlement programs which already has taxpayers owing more than $53 trillion, or about $455,000 for every American household. The most recent estimate of the deficit for Fiscal Year 2009 hits $482 billion -- a record in dollar terms. And, that forecast doesn't include all the bail-outs.

We're told that the consequences of inaction or even of deliberative action will be severe; but I am concerned that the consequences of hasty action are just as dire. The greatest question facing us is: How does this plan protect taxpayers -- both today's and tomorrow's?

I have had hundreds of constituents call my office over the last two days asking this question. They all express skepticism for this plan. They all remain unconvinced, as I do, that they will get much bang for their buck. And, they remain petrified of the historic precedent Congress and the Administration are setting for the next time our markets face instability.

Secretary Paulson continues to say that this proposal is the best protection for taxpayers because the consequences of not implementing it are worse. Of course, he said that when we bailed out Fannie Mae and Freddie Mac. And, he said that when Bear Stearns failed. And, then when AIG needed to be bailed out. Where does it end? On every occasion, one after another, they have failed to provide the market confidence that was promised.

And, what's more, if it is true this time, then I submit that the next question is: Will it work? Secretary Paulson, Chairman Bernanke and Chairman Cox have not given us any real assurances that it will. In fact, when pressed for more details about whether it will work and how it will be implemented at yesterday's Senate Hearing, all continued to answer in vague terms.

They are all smart men. They are all well versed in economic policies. One would hope they have already thought about logistics. One would hope that they are not just making a guesstimate with the American people's money or taking a gamble with our children's future.

The American people want to know more details and Congress ought to demand those details. There is absolutely no excuse for our not giving this matter our full attention and complete contemplation. There's no doubt that this is a complicated matter and if it takes us time to understand all the implications of our actions than it is time well spent. We should not rush to take action in a week when the consequences could last lifetimes.

First of all, the American people want to know what will be the first move the Secretary will make with the $700 billion. Once he has his check from the American people, what will he do next?

Yesterday, he answered that he will gather a group of “experts” together to decide which assets the government will buy and at what price. How will they actually pick these assets?

And, how can we be assured these people will come up with the right price for the taxpayers and the financial institutions? If government buys an asset for too much, the taxpayer loses. If it buys it for too little, the market problem may not get solved. How do we mitigate this risk?

Most anyone that might be considered an “expert” may have a substantive financial interest in getting this proposal passed without a second glance. Will we be entrusting to make decisions on what assets to buy the very same people Congress is bailing out?

Let us not forget that much of what Wall Street does is an art and not a science. And, let us also not forget that it was the so-called experts, the well-paid, well-schooled, high-powered financial gurus who made the bad decisions that got us in this mess in the first place.

And unfortunately, this plan appears to be going from bad to worse. The Democrat Leadership is piling on its own pet projects to the bailout. Secretary Paulson presented the Committee with a two-page draft bill on Sunday. Three days later, we are discussing a draft bill that’s reached 42 pages. Congress is preparing to rush this legislation through – partly out of panic, partly out of politics – without exercising its own fiduciary responsibilities to the American people.

We appear to have suddenly lost faith in the free markets. And, we are ignoring the signs of free market leadership in the wake of this crisis. Warren Buffett just yesterday infused Goldman Sachs with $5 billion. Barclays bought Lehman Brothers.

Wells Fargo Chairman Dick Kovacevich said last weekend at a meeting of the Association of Corporate Growth, "Given the financial conditions today, I feel like a kid in a candy store." There are companies out there that didn't go too far out on a limb with some of the riskier investments that have liquid capital and can be part of the solution.

But, Congress and the Administration are focusing like a laser on government intervention.

My colleagues and I from the Republican Study Committee (RSC) have suggested a proposal that not only looks at the problem as it's occurring now but it also looks to ensure that we will not be facing this same issue over and over again in the future.

It reduces corporate and capital gains taxes to unleash private capital into American businesses, create more jobs, and give people more freedom to make investment decisions with dollars currently hoarded by the federal government.

It would suspend mark-to-market accounting, allowing companies to more accurately report the true value of their assets on their balance sheets.

It breaks up Fannie Mae and Freddie Mac -- who are, after all, at the heart of all of this -- so that the encumbered taxpayer no longer backs them -- implicitly or explicitly -- and so that they do not artificially grow larger than the market will allow.

And, it ensures the Federal Reserve's attention is focused on that of long-term price stability rather than short term economic growth.

We must not just address the symptoms, but also the root causes of the problem. The forgotten man in all this is the everyday American taxpayer -- both of today and of tomorrow. It is with them in mind that Congress should fully focus on its responsibilities and not rush the process just to meet the artificial deadline of Congressional adjournment.

I look forward to hearing the witnesses' testimonies later today and am hopeful, though skeptical, that we will get clearer answers to our questions.

Thank you, Mr. Chairman.